



Industrial South Bay 21Q1

Key Takeaways

- Averaging asking rents increased to \$1.02 NNN.
- Vacancy dropped 120 basis points to 1.1%.
- Net absorption topped 1.05 MSF.
- Total gross activity reached 2.8 MSF.

Vacancy Rate 1.1% YOY FORECAST	Net Absorption 1.0M SF YOY FORECAST	Under Construction 1.1M SF YOY FORECAST	Overall Class A Asking Lease Rates (NNN) \$1.02/SF YOY FORECAST
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Vacancy Below Pre-Pandemic Levels

The South Bay industrial market closed out the first quarter with 1.05 MSF of positive net absorption. The overall vacancy rate decreased to 1.1% from 2.3% at the end of 2020 and 30 basis points below its mark from 1 year ago. The Ports of L.A. and Long Beach continue to work their way through the congestion of cargo ships that can be seen from much of the Southern California coastline. Container trade in 20-foot equivalent units (TEUs) is up 21% in Los Angeles and up 32% at Long Beach compared to the first two months of 2020.

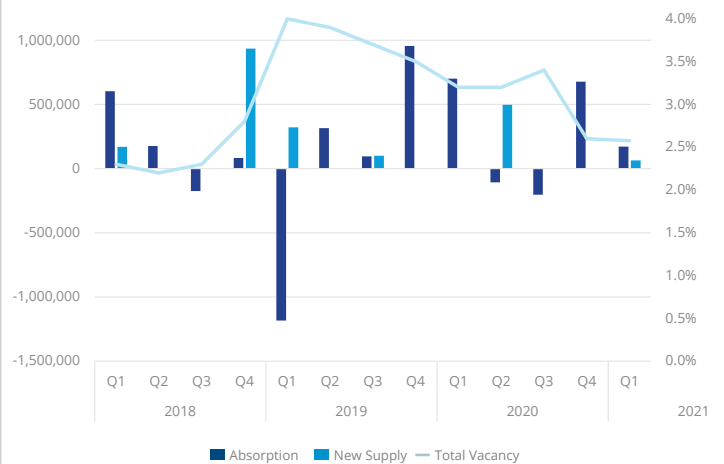
Market Indicators

10.9% Unemployment Rate	4.4% GDP - Quarterly % Change YOY	1.74% U.S. 10-Year Treasury Note
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Historic Comparison

	Q1 2020	Q4 2020	Q1 2021
Total Inventory (SF)	210,313,207	216,561,300	210,523,607
New Supply (SF)	603,000	62,700	0
Net Absorption (SF)	488,500	271,500	1,053,786
Overall Vacancy	1.4%	2.3%	1.1%
Under Construction (SF)	0	913,300	1,078,303
Overall Asking Lease Rates (NNN)	\$0.95	\$1.01	\$1.02

Market Graph



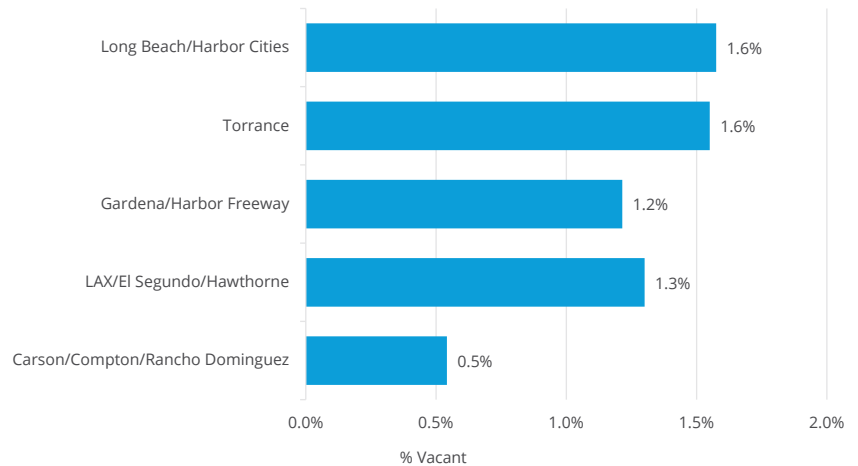
With no new supply added to the base and strong net absorption numbers, vacancy dropped to levels not seen since 4Q 2017.

Labor Force

	Construction	Manufacturing	Transportation, Trade & Utilities
12-Mo Employment Growth (%)	-5.3%	-10.5%	-5.9%
12-Mo Actual Employment Change	-8,200	-35,500	-49,600

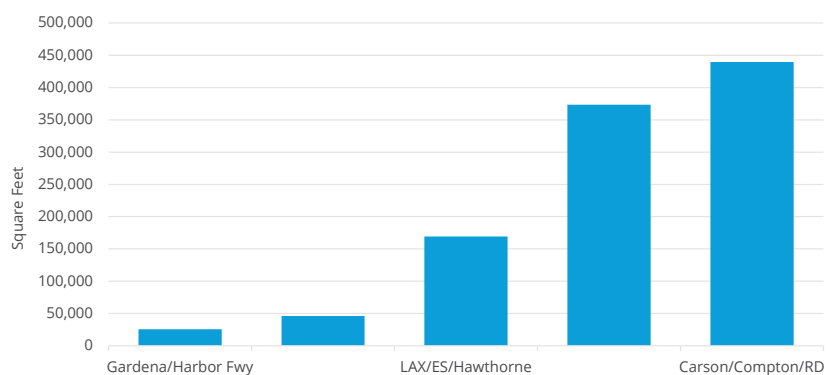
Vacancy

The vacancy rate decreased 120 basis points to 1.1%, and availability rate decreased 80 basis points to end the quarter at 2.5%. The Carson, Compton & Rancho Dominguez submarket vacancy dipped below the 1% threshold down to 0.5%. The 4 other submarkets all saw declines in vacancy, as no space was given back to the market. As high clearance buildings with dock high loading become more scarce, it may drive tenants to neighboring markets. The South Bay's proximity to the ports will always be a reason why the market is always the lowest in vacancy and highest in rent.



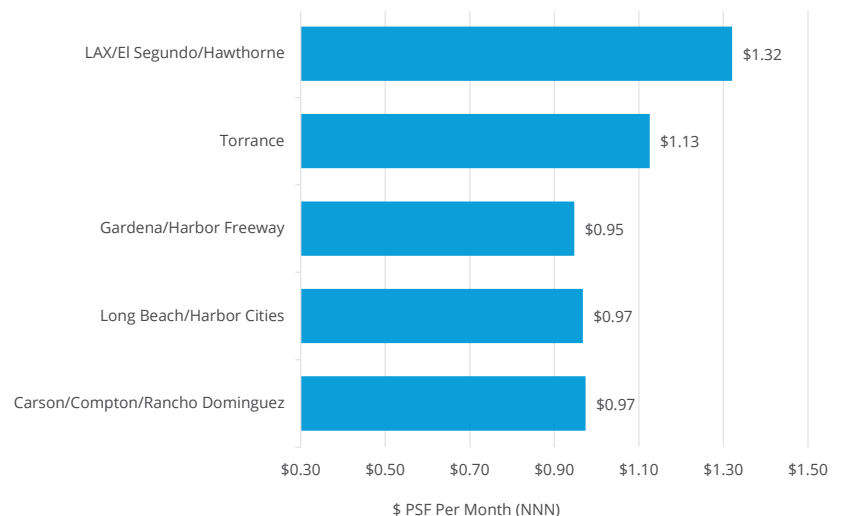
Absorption & Leasing Activity

Net Absorption for the first quarter of 2021 topped out at 1,053,786 SF. Total leasing activity totaled 2.88 MSF in 115 lease transactions. The Carson/Compton/Rancho Dominguez submarket recorded the highest total in Net Absorption and leasing activity with 439,373 SF and 1,542,968 SF respectively. Seven leases over 100,000 SF were signed in Q1, for a total of 1.3 MSF.



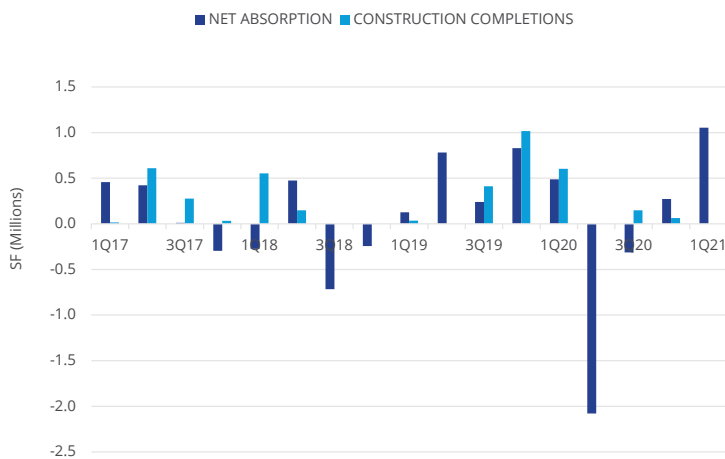
Rental Rates

Average asking rents increased \$0.01 PSF NNN over the quarter to end at \$1.02, the region's highest levels ever seen. Long Beach/Harbor Cities saw the largest gains in asking rents, with the majority of availability in buildings under 100,000 SF. Proximity to the ports is crucial for logistics and e-commerce tenants, and are the ones most aggressively seeking out Class A buildings in the South Bay. As newer buildings are brought to market and availability diminishes, asking rates will continue to increase.



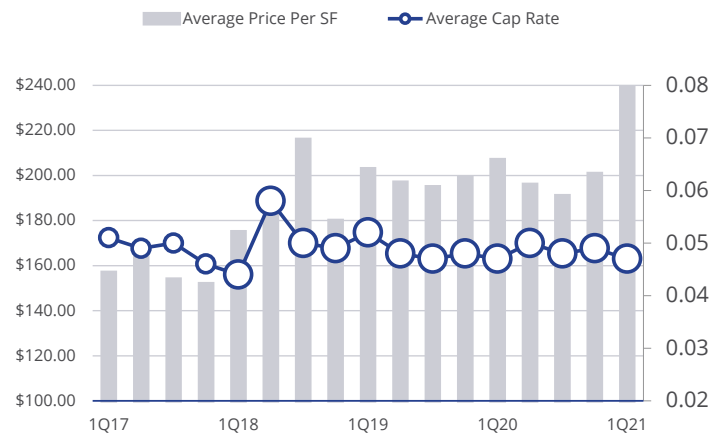
Construction

Construction activity throughout the South Bay sits at 1.07 MSF, with no new deliveries for Q1 2021. With the majority of construction scheduled to be completed at the end of the year, several other projects are close to breaking ground and will bring much needed relief to the market with the lowest vacancy rate in the Greater Los Angeles region. E-commerce and logistics companies will continue to compete and aggressively go after these modern Class A buildings well before the project is completed.



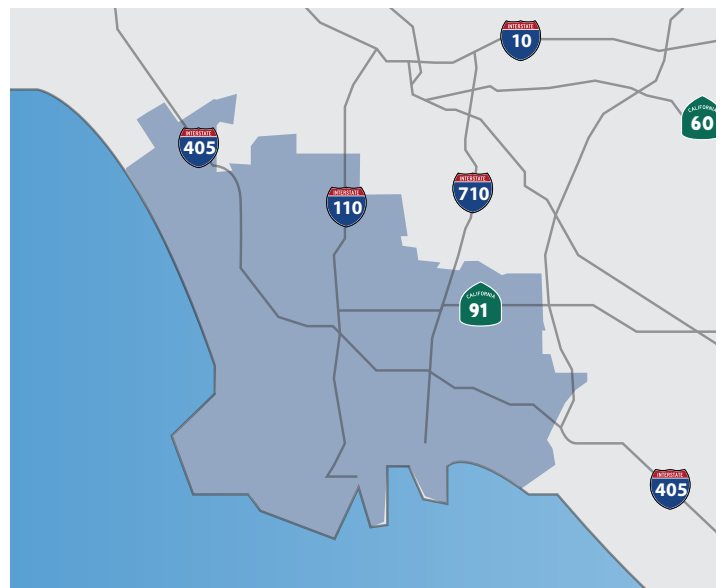
Investment Trends

The industrial sector’s resiliency during the COVID-19 pandemic has propelled industrial investment to the top of the most desired list of investors. Throughout the pandemic, we’ve seen historic highs in sublease availability in the office sector, and it is uncertain how much office space companies will require once the lockdown measures are lifted. One thing for certain is that e-commerce is here to stay, and industrial is poised to continue to show strong market fundamentals. With limited offerings and an abundance of capital, pricing is forecasted to increase with further cap rate compression.



Market Description

The South Bay industrial market includes 210.5 MSF, representing 24% of the total space in Los Angeles County for buildings 10,000 SF and greater. The market has a high concentration of international trade at the Ports of Los Angeles and Long Beach, as well as at Los Angeles International airport. The South Bay is a relatively mature market, with 63% of its space built prior to 1980. There is a good mix of product types, with nearly half of the space (45%) in big-box buildings (100,000 SF) and the balance (55%) in small and medium-sized buildings.



Sales Activity

Address	Size SF	Sale Price	Price PSF	Buyer	Seller
2335 W 208th St, Torrance	38,028 SF	10.7 Million	\$280.1 PSF	Frontline SB Torrance LP	Glenn Streeter
1112 Lomita Blvd, Harbor City	32,279 SF	7.5 Million	\$232.3 PSF	15th Street Building LLC	Bryant Family
400 W Rosecrans Ave, Gardena	24,698 SF	5.9 Million	\$236.9 PSF	P&P Rosecrans LLC	400 Rosecrans LLC
1939 W 144th St, Gardena	22,608 SF	3.9 Million	\$172.3 PSF	Gardena Building Co LLC	Southwestern Precision Co Inc.

Leasing Activity

Address	Size SF	Lease Type	Submarket	Lessee	Lessor
2711 E Dominguez St, Carson	261,557 SF	New	Carson/Compton/RD	Starship Logistics	EastGroup Properties
18420 Harmon Ave, Carson	247,788 SF	New	Carson/Compton/RD	FNS, Inc.	Watson Land Company
21950 Arnold Center Rd, Carson	185,629 SF	New	Carson/Compton/RD	Seko Logistics	Watson Land Company
538 Crenshaw Blvd, Torrance	174,361 SF	New	Torrance	Pilot Freight Services	Black Creek Group
20250 S Alameda St, Compton	115,376 SF	New	Carson/Compton/RD	Kair Harbor Express	CenterPoint Properties

Major Developments

Address	Developer	Size SF	Submarket	Status	Estimated Completion
2400 Artesia Blvd, Long Beach	Bridge Development	415,160 SF	Long Beach/Harbor Cities	Pre-Leased	Q3 2021
13344 Main St, Los Angeles	Duke Realty	290,303 SF	Gardena/Harbor Freeway	Pre-Leased	Q2 2021
19681 Pacific Gateway Dr, Torrance	Black Creek Group	227,000 SF	Torrance	Under Construction	Q4 2021
333 W Gardena Blvd, Carson	CT/Clarion Partners	145,840 SF	Gardena/Harbor Freeway	Under Construction	Q4 2021

South Bay | Q1 2021 | Industrial | Market Statistics

Existing Properties		Construction		Vacancy		Availability	Activity				Absorption		Rents
Submarket/ Subtype	Total Inventory SF	Completions Current Qtr SF	Under Construction SF	Vacancy Rate	Vacancy Prior Qtr	Availability Rate	Sales Activity SF	Lease Activity SF	Total Gross Activity Current	Total Gross Activity YTD	Net Absorption Current	Net Absorption YTD	Avg Direct Asking Rate (NNN)
Carson/Compton/Rancho Dominguez													
10,000 - 19,999	3,608,126	0	0	0.6%	0.0%	0.6%	0	44,833	44,833	44,833	-20,570	-20,570	\$1.03
20,000 - 39,999	9,279,190	0	0	1.6%	1.9%	1.9%	33,316	75,828	109,144	109,144	26,515	26,515	\$0.87
40,000 - 69,999	12,557,173	0	0	0.6%	2.3%	2.5%	0	205,789	205,789	205,789	212,793	212,793	\$0.94
70,000 - 99,999	11,155,416	0	0	0.9%	1.0%	2.3%	0	193,430	193,430	193,430	18,200	18,200	\$1.09
100 - 249k	34,743,238	0	0	0.1%	0.2%	2.4%	0	636,452	636,452	636,452	51,825	51,825	\$0.93
250 - 499k	10,677,292	0	0	0.9%	2.3%	3.5%	0	353,320	353,320	353,320	150,610	150,610	\$1.06
500,000 +	1,047,256	0	0	0.0%	0.0%	0.0%	0	0	0	0	0	0	n/a
Subtotal	83,067,691	0	0	0.5%	1.1%	2.4%	33,316	1,509,652	1,542,968	1,542,968	439,373	439,373	\$0.97
Gardena/Harbor Freeway													
10,000 - 19,999	7,024,913	0	0	0.5%	0.7%	1.3%	22,914	31,574	54,488	54,488	8,677	8,677	\$0.98
20,000 - 39,999	8,071,246	0	0	1.2%	1.3%	2.8%	0	108,642	108,642	108,642	11,596	11,596	\$1.01
40,000 - 69,999	7,763,794	0	0	3.0%	3.1%	4.5%	0	51,000	51,000	51,000	5,331	5,331	\$0.85
70,000 - 99,999	3,698,945	0	0	0.5%	0.5%	8.0%	0	0	0	0	0	0	\$0.96
100 - 249k	4,821,817	0	145,840	0.0%	0.0%	0.0%	0	0	0	0	0	0	n/a
250 - 499k	0	0	290,303	0.0%	0.0%	0.0%	0	0	0	0	0	0	n/a
500,000 +	0	0	0	0.0%	0.0%	0.0%	0	0	0	0	0	0	n/a
Subtotal	31,380,715	0	436,143	1.2%	1.3%	3.1%	22,914	191,216	214,130	214,130	25,604	25,604	\$0.95
LAX/El Segundo/Hawthorne													
10,000 - 19,999	5,133,849	0	0	1.3%	2.2%	1.0%	24,036	73,059	97,095	97,095	45,181	45,181	\$0.78
20,000 - 39,999	7,597,280	0	0	4.3%	3.5%	4.3%	24,673	97,877	122,550	122,550	-59,135	-59,135	\$1.42
40,000 - 69,999	4,521,689	0	0	0.3%	2.3%	0.6%	42,368	129,245	171,613	171,613	88,602	88,602	\$1.45
70,000 - 99,999	2,958,836	0	0	0.0%	0.0%	0.0%	0	0	0	0	0	0	n/a
100 - 249k	5,075,322	0	0	0.4%	2.3%	1.0%	0	0	0	0	94,641	94,641	n/a
250 - 499k	2,347,976	0	0	0.0%	0.0%	1.2%	0	0	0	0	0	0	\$1.40
500,000 +	5,200,755	0	0	0.0%	0.0%	0.0%	0	0	0	0	0	0	n/a
Subtotal	32,835,707	0	0	1.3%	1.8%	1.5%	91,077	300,181	391,258	391,258	169,289	169,289	\$1.32
Long Beach/Harbor Cities													
10,000 - 19,999	7,735,755	0	0	0.2%	0.7%	1.1%	36,731	72,265	108,996	108,996	37,475	37,475	\$1.03
20,000 - 39,999	8,278,321	0	0	0.5%	0.6%	2.1%	23,040	55,079	78,119	78,119	13,038	13,038	\$0.87
40,000 - 69,999	4,645,211	0	0	2.5%	2.5%	2.8%	43,149	11,610	54,759	54,759	0	0	\$0.91
70,000 - 99,999	2,453,475	0	0	10.3%	10.2%	10.3%	0	95,547	95,547	95,547	-4,406	-4,406	\$1.15
100 - 249k	6,370,341	0	0	2.2%	2.2%	2.2%	0	0	0	0	0	0	n/a
250 - 499k	2,460,422	0	415,160	0.0%	0.0%	0.0%	0	0	0	0	0	0	n/a
500,000 +	3,658,848	0	0	0.0%	0.0%	0.0%	0	0	0	0	0	0	n/a
Subtotal	35,602,373	0	415,160	1.6%	1.7%	2.2%	102,920	234,501	337,421	337,421	46,107	46,107	\$0.97
Torrance													
10,000 - 19,999	2,719,084	0	0	1.3%	0.4%	1.8%	0	11,737	11,737	11,737	-22,206	-22,206	\$1.20
20,000 - 39,999	4,889,531	0	0	0.5%	0.8%	6.2%	70,439	48,683	119,122	119,122	13,125	13,125	\$1.08
40,000 - 69,999	3,716,680	0	0	1.9%	3.1%	1.7%	0	0	0	0	46,120	46,120	\$0.79
70,000 - 99,999	2,853,460	0	0	3.1%	1.4%	3.1%	0	0	0	0	-51,023	-51,023	\$1.36
100 - 249k	6,849,582	0	227,000	2.7%	3.3%	8.0%	0	268,767	268,767	268,767	42,576	42,576	\$1.17
250 - 499k	4,182,089	0	0	0.6%	0.0%	0.6%	0	0	0	0	-25,820	-25,820	\$1.10
500,000 +	2,426,695	0	0	0.0%	15.3%	0.0%	0	0	0	0	370,641	370,641	n/a
Subtotal	27,637,121	0	227,000	1.6%	2.9%	3.9%	70,439	329,187	399,626	399,626	373,413	373,413	\$1.13
South Bay													
10,000 - 19,999	26,221,727	0	0	0.7%	0.8%	1.1%	83,681	233,468	317,149	317,149	48,557	48,557	\$1.01
20,000 - 39,999	38,115,568	0	0	1.7%	1.7%	3.2%	151,468	386,109	537,577	537,577	5,139	5,139	\$1.05
40,000 - 69,999	33,204,547	0	0	1.5%	2.6%	2.7%	85,517	397,644	483,161	483,161	352,846	352,846	\$0.91
70,000 - 99,999	23,120,132	0	0	2.0%	1.8%	3.9%	0	288,977	288,977	288,977	-37,229	-37,229	\$1.09
100 - 249k	57,860,300	0	372,840	0.6%	1.0%	2.7%	0	905,219	905,219	905,219	189,042	189,042	\$1.01
250 - 499k	19,667,779	0	705,463	0.6%	1.2%	2.2%	0	353,320	353,320	353,320	124,790	124,790	\$1.08
500,000 +	12,333,554	0	0	0.0%	3.0%	0.0%	0	0	0	0	370,641	370,641	n/a
Total	210,523,607	0	1,078,303	1.1%	1.6%	2.5%	320,666	2,564,737	2,885,403	2,885,403	1,053,786	1,053,786	\$1.02

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